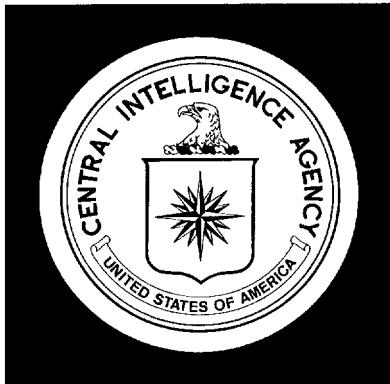


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State Department review completed

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**C** ARAB STATES - ISRAEL: Diplomatic efforts evidently are under way to resolve the dispute which arose Monday between Israel and the United Nations Emergency Force (UNEF) concerning the establishment of UN checkpoints on the Cairo-Suez road.

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According to press accounts, the disputed UN checkpoint at Kilometer 101--at the western edge of the Israeli line along the Cairo-Suez road--was in operation yesterday, although an Israeli post was also nearby and Israeli soldiers were clearly in control of the highway. Egyptian and Israeli representatives are scheduled to meet today to continue their discussions about the implementation of the six-point cease-fire agreement.

Minor cease-fire violations were reported yesterday on both sides of the Suez Canal, but they were generally limited to small-arms fire. The level and intensity of these violations was lower than those reported on Monday. Some Egyptian small-arms fire was reportedly directed at two Israeli units engaged in fortifications work along the canal. Israel claims that the incidents are different from earlier ones, because the Egyptians apparently opened fire in an attempt to prevent the Israelis from working within their own area of control; previous clashes had involved firing between troops where the cease-fire line is unclear.

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There were no reports of cease-fire violations  
[redacted] on the Syrian front yesterday.

Prime Minister Meir addressed the Knesset yesterday and declared that the 22 October cease-fire lines were nonexistent. Israel was engaged that day in a running battle with Egyptian forces, she said, and since there were no UN observers in the area, no one can determine the positions of the opposing forces. She accused Egypt of continuing the fighting beyond 22 October, and derided both attempts to place the blame for cease-fire violations solely on Israel and efforts to divide the responsibility equally between the two sides. On the subject of the six-point agreement signed between Egypt and Israel, Mrs. Meir noted that it is conditioned on reciprocal observance of all its provisions, and stated that Israel has been "apprehensive from the beginning." She emphasized that without the return of Israeli prisoners there can be no cease-fire and the flow of food both to Suez city and the Egyptian Third Army will stop. Despite her hard line on these issues, Mrs. Meir noted that Israel has no intention of holding onto the territory it occupies on the Suez Canal west bank, and she reminded her listeners that she has proposed a mutual pullback of both Egyptian and Israeli forces to opposite sides of the canal. Mrs. Meir also responded to critics of Israel's "unpreparedness" for the war. She asserted that the government will soon launch an investigation to examine the events preceding the conflict and pledged that it will be conducted "without fear or favor."

An unconfirmed Western press source in Moscow claims that Yasir Arafat and a high-level delegation from the Palestine Liberation Organization (PLO) arrived in the Soviet Union on Tuesday. Earlier press [redacted]

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Caccounts which had Arafat and the fedayeen leaders going directly from Cairo to Moscow on 12 November proved erroneous. After conferring with President Sadat, Fatah leader Arafat apparently went to Baghdad, perhaps to get Iraqi backing for PLO participation in postwar negotiations and to persuade Iraq to send a representative of the Baghdad-supported Arab Liberation Front to Moscow with the delegation. The Arab press also now indicates that it is uncertain whether George Habbash, head of the radical Popular Front for the Liberation of Palestine, will participate in the talks in Moscow.

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SOUTH VIETNAM: General Thuan, the new South Vietnamese commander for Military Region 3, which includes Saigon, has ordered government infantry and air units to take more aggressive action against the Communists.

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There currently are no reliable indications that the Communists are readying a major attack against Saigon City. There has been increased fighting in the region during the past few weeks, precipitated by the "rice war" over the current harvest and by the efforts of both sides to improve their tactical positions. This kind of action is likely to continue and may occasionally become fairly extensive. If Thuan does move as forcefully as he is suggesting, he probably will stimulate an equally forceful Communist response.

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WESTERN HEMISPHERE: Representatives of more than 20 American states begin discussions in Bogota today to coordinate regional policies in preparation for talks on US - Latin American relations with Secretary Kissinger. Some Latin American leaders also hope that the meeting will lead to the development of a consultative mechanism outside of the OAS and without US participation. In addition, a few countries may plan to promote positions critical of the US.

Panama is seeking support for its position on the Canal Zone, and the exclusion of Cuba from the conference and from regional organizations could be contested. The US Embassy in Lima has reported that Peru may assume a conspicuous role, as it has in other regional meetings during the last few years, in seeking to reduce US influence in the hemisphere.

Prospects for consensus on these and other major contentious issues are not good, however. The Colombian and the other foreign ministers who organized the conference intend to avoid controversial issues, and probably have enough support to pass general resolutions designed to open a constructive dialogue with the US. In addition, a number of governments have reservations about the timing and goals of the conference. The foreign ministers of 19 Latin American countries--all of them except Cuba--and the five English-speaking Caribbean states were invited, but at least six countries, including Argentina and Brazil, are represented by lower ranking officials.

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JAPAN: The yen was allowed to decline another 2 percent against the dollar Tuesday, dropping it 5 percent below its level at the end of October. The move did little to slow the demand for dollars, however, because Japanese traders are convinced the yen will decline further. The Bank of Japan sold about \$200 million to maintain the new exchange rate of 280 yen to the dollar, and contracts for future dollar deliveries specify a rate of 293 yen to the dollar. The prospect of an \$8 billion balance-of-payments deficit this year and another large deficit in 1974 underlie the weakness of the yen. Prime Minister Tanaka's statement that Japan would suffer serious economic problems because of the oil cutbacks has further strengthened the downward pressure.

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JAPAN - SOUTH KOREA: The settlement of the Kim Tae-chung affair has paved the way for the convening of the annual Japan-Korea ministerial meeting, which had been postponed by the Japanese. Tokyo reportedly will approve \$250 million in new loans to South Korea during this session, which probably will take place next month. This would represent a significant increase from the \$170 million approved at last year's meeting, but is below the \$400 million that Seoul has sought. Nevertheless, the South Koreans will be anxious to reach an accord on aid in view of their ambitious new long-term economic goals. Tokyo also is making arrangements to fulfill last year's aid pledge. Only \$20 million of the \$170 million promised had been officially agreed to before the Kim incident caused an interruption in negotiations. Tokyo hopes that the full amount can be given final approval before the coming meeting.

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JAPAN: The government is trying to obtain parliamentary approval for a \$3.2 billion supplementary budget. The new money would go for outlays to which Tokyo already is committed--pay raises for government employees, increased subsidies to rice producers, and increased transfer payments to provincial governments. The supplementary spending is only 60 percent as large as that added to last year's budget, but it will undermine Tokyo's attempts to bring inflation under control unless it is accompanied by offsetting fiscal or monetary measures. Tokyo has had little success thus far--wholesale prices rose 2 percent in October to a level more than 20 percent above October 1972.

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UK: Prime Minister Heath declared a state of emergency yesterday because of impending energy shortages, and asked Parliament to approve special powers that will allow the government to restrict consumption of oil, coal, and electric power.

The government acted after coal miners and electrical power workers refused to work overtime unless their demands for higher wages were met. Another factor was the prospect of an oil shortage, even though the government has tried to play down reports of an impending energy crisis and resisted pressure from the major oil companies to announce fuel allocation measures. The government had hoped that "assurances" from the Arab states that Britain was not on the embargo list would help it to avoid these measures.

Earlier this week the miners announced that they would not work on weekends, thereby cutting weekly coal production by an estimated 30 percent. Both the miners and power workers had asked for higher wage increases than are provided for under the government's recently announced guidelines. The miners are scheduled to negotiate a new contract later this year. The possibility that the Middle East crisis will cause severe oil shortages has improved the bargaining position of the miners and electric power workers.

Coal stockpiles are 7 million tons larger than at the time of the last miners' strike in 1972, but increasing coal requirements--a result of petroleum shortages--have further clouded Britain's economic future. Energy shortages undoubtedly will cause a greater slowdown in economic growth in 1974 than had been expected. Rising oil prices, in addition to creating inflationary pressures, are expected to increase Britain's overall balance-of-payments deficit by some \$1 billion in 1974. Furthermore, if the government accedes to the union's demands for higher wages as the price for avoiding full-scale strikes, this will add to inflationary pressures which Prime Minister Heath has been trying to bring under control for over a year.

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USSR-India: Moscow has announced that General Secretary Brezhnev will visit India from 26-30 November, ending speculation that the trip was in doubt because of the situation in the Middle East. This will be Brezhnev's first visit as party chief to a Third World country. He is expected to discuss bilateral economic and military problems, China, India's neighbors in South Asia, and the situation in the Middle East.

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Turkey: Former prime minister Suleyman Demirel, whose conservative Justice Party holds the second largest number of seats in the National Assembly, has begun political consultations aimed at forming a government. Demirel was named prime minister - designate after Bulent Ecevit of the leftist Republican Peoples Party abandoned his attempt to form a government last week. The Justice Party executive committee has ruled out a "grand coalition" with Ecevit's party. Demirel, therefore, must obtain the support of both right-wing parties--one of which split off from Justice because of antagonism toward Demirel.

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*\*These items were prepared by CIA without consultation with the Departments of State and Defense.*

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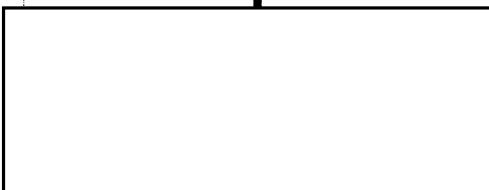
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